

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 SSO-00 NSCE-00

USIE-00 INRE-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04

NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-05 ITC-01

TRSE-00 PRS-01 SP-02 SOE-01 OMB-01 DOE-12 AF-10

ARA-10 NEA-10 /142 W

-----117861 211936Z /44

O 211853Z DEC 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 3917

INFO ALL EC CAPITALS

USMISSION GENEVA

AMEMBASSY ATHENS

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY TOKYO

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USEEC

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E.O. 11652: N/A

TAGS: EEC, EIND, ETRD

SUBJ: EC FOREIGN MINISTERS COUNCIL, DECEMBER 19-20, 1977:

INTERNAL STEEL MARKET

REFS: (A) BRUSSELS 18656, (B) BRUSSELS 18991

1. SUMMARY: THE EC COMMISSION'S PROPOSALS FOR INTERNAL COMMUNITY STEEL MARKET CRISIS MEASURES AND ITS STRATEGY FOR RESTRUCTURING THE EC STEEL INDUSTRY (REF A) MET WITH GENERAL APPROVAL AT THE DECEMBER 19-20 EC COUNCIL. THESE LIMITED OFFICIAL USE

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MEASURES ARE INTENDED TO COMPLEMENT THE COUNCIL'S DECEMBER 19 DECISION CONCERNING STEEL IMPORTS (REF B).
END SUMMARY.

2. COMMISSION PLANS FOR DEALING WITH THE EC STEEL INDUSTRY CRISIS WERE PRESENTED TO THE COUNCIL IN TWO PARTS:
(A) MEASURES TO INCREASE PRICES AND ESTABLISH GREATER

RESTRAINT ON THE COMMUNITY MARKET, AND (B) INDUSTRY RESTRUCTURING.

3. WITH REGARD TO PRICES AND MARKET RESTRAINT, THE COUNCIL TOOK NOTE OF THE COMMISSION'S INTENTION TO IMPLEMENT THE FOLLOWING MEASURES:

(A) A REFERENCE PRICE INCREASE OF 15 PERCENT IN THE COURSE OF 1978, WITH 5 PERCENT INCREASES ON JANUARY 1 AND APRIL 1 AND A FURTHER 5 PERCENT INCREASE LATER IN THE YEAR;
(B) A REQUIREMENT THAT THE STEEL INDUSTRY ISSUE CERTIFICATES OF CONFORMITY FOR PRODUCTS WHICH ARE SUBJECT TO MINIMUM PRICES; AND (C) A REQUIREMENT THAT COMMUNITY PRODUCERS SUPPLY THE COMMISSION WITH BIWEEKLY REPORTS ON THEIR DELIVERIES OF MERCHANT BARS, SECTIONS, COILS, AND CONCRETE REINFORCEMENT BARS (ACCORDING TO PERMREP SOURCES, THE ITALIANS INITIALLY EXPRESSED RESERVATIONS ON THIS POINT, INSISTING THAT THIS MEASURE SHOULD BE SUPPLEMENTED BY CONTROL OF TRADE ACTIVITIES BY PRODUCERS, AND THE FRENCH FELT THE MEASURE IS INADEQUATE AND SHOULD BE SUPPLEMENTED BY CUSTOMS SURVEILLANCE AND CERTIFICATES OF ORIGIN.)

4. THE COUNCIL ALSO AGREED TO A COMMISSION PROPOSAL THAT THE CURRENT SYSTEM OF MINIMUM PRICES, WHICH APPLIES TO PRODUCING FIRMS ONLY, BE EXTENDED TO TRADING FIRMS AS WELL, ON THE BASIS OF ARTICLE 95 OF THE ECSC TREATY.
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(ACCORDING TO A GERMAN SPOKESMAN, BOTH ITALY AND THE FRG WERE RELUCTANT TO AGREE TO THIS MEASURE.) IN ANNOUNCING THIS DECISION TO THE PRESS, EC COMMISSIONER DAVIGNON POINTED OUT THAT THIS GAP HAD BEEN ONE OF THE WEAKNESSES OF THE COMMUNITY STEEL PROGRAM, SINCE IT ALLOWED MARKET DISTORTIONS.

5. DAVIGNON ALSO TOLD REPORTERS THAT A NUMBER OF MEMBER STATES ASKED THE COMMISSION TO ESTABLISH MINIMUM PRICES (WHICH CURRENTLY APPLY ONLY TO REINFORCEMENT BARS) FOR COILS AND MERCHANT RS. THE COMMISSION AGREED TO TAKE THIS STEP AND WILL FIX 1978 MINIMUM PRICES FOR ALL THREE PRODUCTS AS OF JANUARY 1.

6. WITH RESPECT TO THE COMMISSION'S RESTRUCTURING STRATEGY, THE COUNCIL AGREED IN PRINCIPLE TO ALLOCATE AN ADDITIONAL 32 MILLION EUROPEAN UNITS OF ACCOUNT (ONE EUA CURRENTLY EQUALS APPROXIMATELY \$1.20) TO THE ECSC'S 1978 OPERATING BUDGET, AND UNDERTOOK TO ADOPT NECESSARY IMPLEMENTING MEASURES IN DUE COURSE, WITH DETAILED ALLOCATION PROCEDURES TO BE DETERMINED LATER. THE FRG INTRODUCED A PROCEDURAL WAITING RESERVE ON THIS DECISION,

WHICH IS EXPECTED TO BE LIFTED AFTER THE GERMAN CABINET HAS DISCUSSED THE MATTER ON DECEMBER 21. PRIOR TO TAKING THIS DECISION IN PRINCIPLE, THE COUNCIL TOOK NOTE OF THE FOLLOWING POINTS:

(A) THE COMMISSION'S INTENTION TO RESERVE THE 32 MILLION EUA APPROPRIATION EXCLUSIVELY FOR RESTRUCTURING THE EC STEEL INDUSTRY, CREATING ALTERNATIVE EMPLOYMENT AS PART OF THE CONVERSION POLICY FOR THE STEEL INDUSTRY, AND GRANTING SOCIAL AID FOR RELOCATION OF LABOR;

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INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 SSO-00 NSCE-00
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(B) THE COMMISSION'S INTENTION TO PROVIDE A FRAMEWORK FOR NATIONAL AID TO INDUSTRY ON THE BASIS OF MEASURES APPROVED BY THE COUNCIL;

(C) THE COMMISSION'S INTENTION TO SUBMIT GENERAL STEEL OBJECTIVES FOR 1985-90 TO THE COUNCIL FOR DISCUSSION (DAVIGNON TOLD REPORTERS THIS WAS LIKELY TO BE DONE IN APRIL 1978 AND WILL INVOLVE BOTH SECTOR AND PRODUCT GUIDELINES); AND

(D) PROPOSALS ALREADY MADE BY THE COMMISSION TO TRANSFER
CUSTOMS DUTIES ON ECSC PRODUCTS TO THE ECSC OPERATING
BUDGET. HINTON
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Control Number: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE19129
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770476-0394
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771229/aaaaayel.tel
Line Count: 179
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 BRUSSELS 18656, 77 BRUSSELS 18991
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 151686
Secure: OPEN
Status: NATIVE
Subject: EC FOREIGN MINISTERS COUNCIL, DECEMBER 19-20, 1977: INTERNAL STEEL MARKET
TAGS: EIND, ETRD, XT, EEC
To: STATE EC POSTS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/352649fe-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009